EXHIBIT 5

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Small/Mid-Cap Research

See page 8 for Analyst Certification and Important Disclosures

Estimate Change ☑

Conor Medsystems (CONR)

CONR: Q3:05 - Showing the Half Monty

BUY (1)
Speculative (S)

Mkt Cap: **$717 mil.**

November 4, 2005

MEDICAL SUPPLIES & TECHNOLOGY

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SUMMARY

- Q3 results were uneventful as CONR is still waiting for CE Mark, which is now expected either by year-end or early next year.
- COSTAR II is still enrolling at a healthy clip with the single vessel arm well past the angiographic portion and the multi-vessel arm now picking-up speed.
- Based on the encouraging results from the pimecrolimus and combination pimecrolimus/paclitaxel porcine studies, the company expects to have a three arm European pivotal study underway in 2006.
- On the legal front, closing arguments in the UK patent validity case will take place in mid-December with a decision slated for Q1. We still think CONR has the upper-hand in this case.
- Q3 sales of $1MM were in line. Operating costs were slightly higher than expected due to clinical trials and launch preparation. Our new 2005 loss per share (LPS) estimate is $1.31, and our 2006 LPS estimate is now $0.52.

United States

FUNDAMENTALS	
P/E (12/05E)	NA
P/E (12/06E)	NA
TEV/EBITDA (12/05E)	NA
TEV/EBITDA (12/06E)	NA
Book Value/Share (12/05E)	$2.28
Price/Book Value	9.7x
Revenue (12/05E)	$3.1 mil.
Proj. Long-Term EPS Growth	NA
ROE (12/05E)	(45.4%)
Long-Term Debt to Capital(a)	0.0%

(a) Data as of most recent quarter

SHARE DATA	
Price (11/3/05)	$22.02
52-Week Range	$23.81-$12.90
Shares Outstanding(a)	32.6 mil.
Div(E) (Cur/Prev)	**$0.00**/$0.00

RECOMMENDATION	
Rating (Cur/Prev)	**1S**/1S
Target Price (Cur/Prev)	**$32.00**/$32.00
Expected Share Price Return	45.3%
Expected Dividend Yield	0.0%
Expected Total Return	45.3%

EARNINGS PER SHARE

FY ends		1Q	2Q	3Q	4Q	Full Year
12/04A	Actual	($0.20)A	($0.25)A	($0.28)A	($0.28)A	($1.00)A
12/05E	Current	($0.27)A	($0.28)A	($0.34)A	($0.43)E	($1.31)E
	Previous	($0.27)A	($0.28)A	($0.23)E	($0.17)E	($0.94)E
12/06E	Current	NA	NA	NA	NA	($0.52)E
	Previous	NA	NA	NA	NA	($0.30)E
12/07E	Current	NA	NA	NA	NA	$0.44E
	Previous	NA	NA	NA	NA	$0.45E

First Call Consensus EPS: 12/05E ($1.51); 12/06E ($0.99); 12/07E ($0.02)

OPINION

Playing the waiting game for CE mark...

On Wednesday, Conor Medsystems reported a rather uneventful Q3:05, as CoStar sales were limited to a select number of non-CE Mark requiring counties. In terms of the CE mark, Conor is still waiting for approval as the company responded to a set of standard questions

from its Notified Body and expects a response over the next few weeks. Depending on the response, CE Mark could either come later this quarter, or if there is another round of questions, at the start of the New Year. Regardless of whether CE Mark arrives in Q4:05 or in early Q1:06, both Conor and its key distribution partner, Biotronik, appear ready to go. Conor already has a full launch inventory in place and Biotronik is well positioned with some new additions to the sales force and a strong set of new product flow. This includes a solid guide wire offering and a cobalt chrome stent called the Pro-Kinetic.

Upon CE Mark approval, Conor should do well in Europe, as physicians are increasingly excited about CoStar's strong efficacy and theoretical safety advantages. Based on this encouraging feedback, our 5% European market share estimates for Conor in 2006 could prove conservative, especially if Biotronik is able to meaningfully penetrate new European accounts. Biotronik is already working on a small trial in France, so reimbursement Europe's largest market should come relatively quickly after CE Mark vs. prior drug-eluting stents. France requires additional trial work before granting reimbursement.

...And COSTAR II enrollment is improving

Conor is also making progress on the US front as well with its pivotal trial – COSTAR II. While the enrollment in the multi-vessel arm had been slowing overall enrollment, recent protocol changes to the multi-vessel arm have increased the patient flow.

Expected US Timing Of CoStar DES Stent Approval

Event	Time Requirement	Completion Date
FDA Approval/Trial Start	3 months	May-05
Enrollment Completion	9 months	Mar-06
Follow Up	9 months	Dec-06
FDA Submission	1 month	Jan-06
FDA Panel	5 months	Jun-07
FDA Approval/Launch	4 months	Oct-07

Source: Citigroup Investment Research.

As a reminder, COSTAR II has two arms, one comparing CoStar to TAXUS in patients with single vessel disease and one comparing CoStar to TAXUS in patients with multiple diseased vessels. Because this is the first DES trial to include patients with multiple diseased vessels, Conor didn't have much of a basis from which to design the exclusion criteria. Thus, the protocol was initially too restrictive, as many of the patients presenting with multi-vessel disease were excluded for reasons such as down stream lesions. Enrollment in this arm has increased over the last month since the changes were made and should enable Conor to complete enrollment by the end of Q1:06. The single-vessel arm is already well past the angiographic follow up portion, so we expect enrollment to increasingly pick-up traction in this arm as well. Most importantly, the company is rapidly adding enrollment sites to the study, and should have all 85 sites up and running by the end of the year. A month ago the company only had about 35 sites enrolling, and the site ramp-up should have a dramatic difference.

Financials...not yet the focus of the quarterly call

Conor topped the $1MM sales mark for the first time, as CoStar was rolled out in a small number of Latin American and Asian countries that don't require CE Mark. Sales in India actually comprised only a small portion of the sales, as recent speculation surrounding changes to medical device approvals in India have slowed market acceptance of non CE Mark approved products. While this dragged on Indian sales in the recent quarter, once

Conor garners CE Mark this should be an advantage, as it will give Conor an edge versus the dozen or so local DES brands.

Less stock option expenses, R&D and SGA were $6.2MM and $4.6MM respectively. Q4 sales will obviously depend on the timing of CE Mark, and we expect operating expenses to look similar to Q3 numbers. Conor's share count for the quarter was 33.2MM, resulting in a loss of $0.34 (less stock options) and a loss of $0.44 on a GAAP basis. The company burned through $10.7MM in cash in the quarter and has $97.1MM in cash on hand.

Pipeline Update

Following the encouraging animal data presented on both the pimecrolimus and paclitaxel/pimecrolimus dual-drug stent at the TCT conference last month, Conor is slated to move into a three arm European pivotal trial in 2006. Once the company completes the three-month porcine work (the data at the TCT was one month), we would expect to hear more specifics on the exact timing and specifications of the potential trial. Assuming one or both of the two new products shows similar efficacy and safety in animals as in pigs, we could expect to see one or both of the products on the European market by late 2007 or early 2008. Conor is continuing to explore various additional drugs (both single and multiple) to treat restenosis, thrombosis, and for myocardial infarctions.

Legal Update

There is not much new news on the legal front, as closing arguments from the early October UK case will not be heard until December 12th and 13th. We expect the judge to rule at some point in the first quarter, and our legal consultants suggest that Conor had a strong showing in the early part of the trial. Recall that in this case, Conor is suing to invalidate ANPI's Hunter patent. Conor is also suing to invalidate the Hunter patent in Australia, and the timing of this case remains unchanged. The trial is slated to begin next June.

The first hearing in The Netherlands case, in which Angiotech is suing Conor, will take place in April. There is no trial date set yet, but we expect that the trial could get underway in the back half of 2006.

VALUATION

There are no publicly traded DES pure-plays or companies with comparable five-year growth profiles to Conor, as all of the other public companies with emerging stent programs are large, diversified companies. Thus, we use an average of two methods to value Conor: a multiple off of 2008 EPS and Price/Sales ratios from comparable acquisitions.

For EPS, we use our standard start-up, high-growth med tech formula – taking the first year of substantial earnings and discounting back to current year. 2008 is the breakout year, as it represents the first full year Conor should have the CoStar in the US. We are forecasting sales of $433.7MM and EPS of $2.27. Our 2008 Sales and EPS estimates are down from $449MM and $2.36 due to minor changes in our drug-eluting stent market model.

Using a P/E of 27x off 2008E, we arrive at a 2008E valuation of $2B. The 27x P/E is based on a 10%-15% discount to the current forward 12-month P/Es of four small-cap med tech companies that are in early years of profitability and that have similar margins. This is up from 25x in our last published note, as the comp multiples have increased. We apply the 10-15% discount to the multiple to account for the possibility of royalty payments. Discounting this back two years by a relatively conservative rate of 30% to account for the IP risk, we arrive at a mid-year 2006 valuation of $1,215MM.

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Comparable Med Tech Companies

	Ticker	11/03/05 Price	Shares (MM)	Mkt Cap ($MM)	Consensus 2006E EPS	F12 Month P/E	Est. LT Growth
Kyphon	KYPH	42	41	$1,715	$1.15	36	30%
Advanced Neuromodulation	ANSI	61	20	1,232	$1.28	48	30%
Orthofix	OFIX	39	16	610	$2.73	14	11%
Inamed	IMDC	75	36	2,701	$2.71	28	21%
Average				**$1,564**		**32**	**23%**

Source: First Call Consensus Estimates

Since we believe it is reasonable to assume that JNJ, GDT, MDT, ABT, STJ, and BSX could all benefit from Conor's technology platform, we think it is important to look at acquisitions in high-profile medical technology sectors. There haven't been any acquisitions in drug-eluting stents, the most comparable product is artificial discs, a novel product in the roughly $3B spinal products market. The artificial disc market just kicked off in the US with JNJ's November approval of the Charité disc and is expected to reach $800MM by 2008. Furthermore, margins and operating costs should have a similar structure to Conor's business. Over the past two years, Johnson & Johnson, Medtronic, Synthes, and Stryker have each acquired private spinal disc companies.

Acquisitions In the Artificial Disc Market ($MM)

Company	Product	Acquirer	Date	Estimated US Launch	Acquisition Price	Comments:
Link Spine	Charite Disc	Johnson & Johnson	May-03	Oct-04	$325	Includes $325MM in future milestones.
Spinal Dynamics	Bryan Disc	Medtronic	Jun-02	Sep-07	270	Additional milestones not mentioned.
Spine Solutions	ProDisc	Synthes Stratec	Feb-03	Jun-06	175/350	Deal includes $175MM in milestone payments.
SpineCor	Flexicor, CerviCor	Stryker	Aug-04	Mar-08	120/360	Deal includes $240MM in milestone payments.

Source: Citigroup Investment Research and company disclosures

Market estimated at $600-1,000MM in 2008. 326

2008E Artificial Disc Market Dynamics ($MM)

	% Share	Aggregate Acq. Price	2008 Sales	Price/Sales
Acquired companies	80%	$1,305	$640	2.1x
Other	20%		160	
Total			**$800**	

Source: Citigroup Investment Research and company reports

These companies were acquired an average of three years prior to launch – about the same time Conor has to go before launching the CoStar in the US. The average acquisition price including earn outs is $325MM and does not include a second $325MM payment by JNJ based on sales milestones. Combined, these four companies are expected to garner 80% of our $800MM estimate for the artificial disc market in 2008, or $640MM. With an aggregate purchase price of $1.3B to garner 2008 sales of $640MM, we arrive at an average acquisition price of 2.1x sales.

Using our $434MM in 2008 sales for Conor, our takeout comparison would yield a valuation of $911M. The average of the two methods gives us a year-end value of $1,063MM, or 12-month price target $32 per share of Conor.

Conor Valuation ($MM)

P/E	
2008E EPS	$2.27
Target 2008 P/E	27x
Shares Outstanding	34
2008 Valuation	2,053
Discount Rate (2 years)	30%
Implied 2005 Value	**$1,215**

Price/Sales	
2008E Sales	434
Comp Price/Sales	2.1x
Implied 2005 Value	**$911**

Per Share Valuation	
P/E	1,215
Price/Sales	911
Average	**1,063**
Shares Outstanding	33.5
Value Per CONR Share	**$31.73**

Source: Citigroup Investment Research

Although we normally use a discounted cash flow model for valuing the companies in our coverage universe, we didn't feel it was appropriate for Conor at this stage. We are expecting the company to become free cash flow positive towards the end of 2008, which is the last year that our model projects. The company will still be ramping-up its business efforts through 2008, as we expect it to be the first full year of US CoStar sales.

RISKS

Our risk rating for Conor is Speculative. Conor's only product for the foreseeable future is the CoStar paclitaxel-eluting stent, and clinical trials with follow-on products have not yet begun. The company's financial performance for at least the next four years will be completely dependant on the success of the CoStar and any failure to reach the US or European markets could delay profitability a minimum of 2-3 years. Potential issues related to the CoStar drug-eluting stent include:

1) Issues relating to Boston Scientific/Angiotech's patents covering paclitaxel, including a court-enforced US market injunction or royalty payments on US Stent sales, greatly damaging the sales and or profitability of the company. It is also possible that Conor negotiates a royalty agreement with the companies to avoid more serious legal actions, which would also hurt profitability. We project that US sales will be more than 75% of Conor's WW sales by 2008, and the US market also has the highest gross margins. A 10% royalty on US sales could impact 2008E EPS of $2.27 by $0.45.

2) Conor could infringe patents not related to the use of paclitaxel, as there are thousands of stent patents issued. This could potentially lead to an injunction. Also, any failure on Conor's behalf to protect its own intellectual property could damage the success of the CoStar or future products.

3) Thus far, the clinical results of the CoStar stent have been very competitive and we expect continued future clinical success with the stent. However, any negative clinical trial results from EUROSTAR, COSTAR II, or any subsequent clinical trials could lead to failure in gaining market approval in a given country and to lower-than-expected physician use and market share.

4) While we expect COSTAR II to enroll by the end of Q1:06, given the limited patients restrictions and the curiosity surrounding the stent, any extended delay in

enrolling the US pivotal trial, COSTAR II, or in IDE approval, would significantly push back the company's revenue ramp-up and would give competitive advantage for other drug-eluting stents.

5) Price competition in the drug-eluting stent market could negatively impact Conor's gross margins and profitability.

Other risks related to Conor include failure to commercialize follow-on agents for their DES platform, including four in-licensed compounds. Conor is also working on a number of projects in pre-clinical stages, including a stent specifically for treating acute myocardial infarctions. Failure to advance pre-clinical programs towards commercialization would also hinder long-term growth.

Investment risks relating to the medical supplies and technology ("med tech") industry include: 1) modest pricing pressure across most major product lines; 2) a reduction in sales and EPS benefit from FX if favorable Y/Y comparisons of the US dollar vs. the Euro and Yen subside in Q4; and 3) a strengthening US economy could lead to negative sector rotation, as the med tech industry is non-cyclical in nature.

The risks delineated above could impede the stock from attaining our target price. The above factors highlight some of the risks associated with investing in Conor's shares (for a more detailed list, please see the company's recent 10K filing).

INVESTMENT THESIS

Conor Medsystems, rated Buy, Speculative Risk (1S), represents a unique pure-play opportunity in the estimated $6.8B (2008) market for drug-eluting stents, and we recommend buying the shares. Conor has a novel drug-eluting stent set to launch in Euriope in the next 12 months and in the US in the next 2-3 years. Because of this, Conor is in a unique situation as one of the only stand-alone drug eluting stent companies and could have signficant value to a number of large medical device companies looking for a better technology platform.

COMPANY DESCRIPTION

Founded in 1999, Conor Medsystems is an emerging medical device company focused on vascular drug delivery technologies. Its first product, the CoStar drug-eluting stent, is a cobalt-chromium stent with hundreds of laser drilled reservoirs containing the anti-restenosis agent paclitaxel and a polymer. With the CoStar platform, Conor also has the ability to load multiple drugs in the stent - including other fat-soluble drugs, water-soluble drugs, and proteins - bidirectionally and with variable release kinetics. Data from the EUROSTAR EU pivotal trial was solid and approval in the EU ($890MM DES market in 2005E) and Intercontinental markets ($520MM DES market in 2005E) is expected in H2:05. Conor plans to begin its US pivotal trial in the next two months, and we expect US approval ($3.5B DES market in 2007E) in late 2007. Although Conor's use of paclitaxel in the US is very likely to be challenged, Conor has a strong IP argument, and we think it is unlikely they will be prevented from reaching the market.

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Table 1A. Estimated Quarterly Revenue ($MM)

	Year Ending December 2004					Year Ending December 2005					Year Ending December 2006				
	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3E	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Year
US DES Market	$530	$679	$771	$810	$2,790	$811	$787	$750	$817	$3,165	$863	$846	$801	$859	$3,369
Total "New Entrant" Market Share	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Conor Market Share	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Conor DES Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
EU DES Market	$134	$148	$162	$209	$653	$235	$248	$265	$271	$1,019	$301	$312	$268	$293	$1,173
Conor Market Share	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	3%	5%	5%	6%	5%
Conor Manf. Margin	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Conor DES Sales	0	0	0	0	0	0	0	0	1	1	5	9	8	10	32
ROW DES Market	$85	$99	$106	$133	$423	$141	$158	$168	$173	$639	$175	$189	$184	$190	$739
Conor Market Share	0%	0%	0%	0%	0%	0%	0%	1%	1%	0%	3%	5%	6%	8%	6%
Conor Manf. Margin	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%	60%
Conor DES Sales	0	0	0	0	0	0	0	1	1	2	3	6	7	9	25
Japan DES Market	$0	$2	$40	$100	$142	$116	$129	$115	$140	$500	$135	$159	$174	$196	$663
Total "New Entrant" Market Share	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Conor Market Share	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Conor Manf. Margin	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%
Conor DES Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total DES Sales	0	0	0	0	0	0	0	1	2	3	9	15	15	19	57
Acute AMI Stents	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Sales	$0	$0	$0	$0	$0	$0	$0	$1	$2	$3	$9	$15	$15	$19	$57
Growth Analysis															
US DES Market	NA	295%	80%	72%	161%	53%	16%	-3%	1%	13%	6%	7%	7%	5%	6%
Conor DES Sales	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
EU DES Market	436%	169%	145%	109%	165%	75%	68%	64%	30%	56%	28%	26%	1%	8%	15%
Conor DES Sales	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	692%	2561%
ROW DES Market	608%	168%	83%	77%	132%	66%	59%	59%	30%	51%	24%	20%	10%	10%	16%
Conor DES Sales	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	534%	1666%	1203%
Japan DES Market	NA	NA	NA	NA	NA	NA	6350%	188%	40%	252%	NA	23%	51%	40%	33%
Conor DES Sales	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total DES Sales	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	982%	1737%
Acute AMI Stents	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Other	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Total Sales	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	982%	1737%

Sources: Company reports and Citigroup Investment Research.

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ANALYST CERTIFICATION

APPENDIX A-1

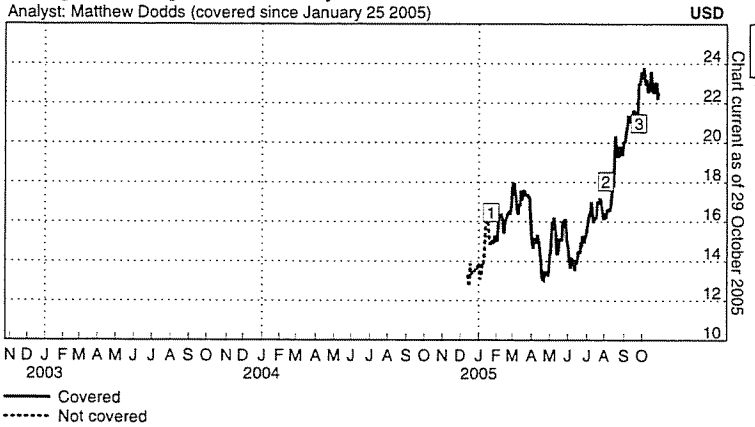
I, Matthew J. Dodds, research analyst and the author of this report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

IMPORTANT DISCLOSURES

Conor Medsystems (CONR)

Ratings and Target Price History - Fundamental Research

Analyst: Matthew Dodds (covered since January 25 2005)



#	Date	Rating	Target Price	Closing Price
1:	24 Jan 05	1S	26.00	14.98
2:	3 Aug 05	1S	*27.00	16.17
3:	27 Sep 05	1S	*32.00	23.00

*Indicates change.

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Data current as of 30 September 2005	Buy	Hold	Sell
Citigroup Investment Research Global Fundamental Coverage (2650)	41%	42%	18%
% of companies in each rating category that are investment banking clients	48%	47%	32%
Medical Supplies & Technology -- North America (17)	41%	47%	12%
% of companies in each rating category that are investment banking clients	57%	38%	50%

Guide to Fundamental Research Investment Ratings:

Citigroup Investment Research's stock recommendations include a risk rating and an investment rating.

Risk ratings, which take into account both price volatility and fundamental criteria, are: Low (L), Medium (M), High (H), and Speculative (S).

Investment ratings are a function of Citigroup Investment Research's expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating.

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Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified

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Between September 9, 2002, and September 12, 2003, Citigroup Investment Research's stock ratings were based upon expected performance over the following 12 to 18 months relative to the analyst's industry coverage universe at such time. An Outperform (1) rating indicated that we expected the stock to outperform the analyst's industry coverage universe over the coming 12-18 months. An In-line (2) rating indicated that we expected the stock to perform approximately in line with the analyst's coverage universe. An Underperform (3) rating indicated that we expected the stock to underperform the analyst's coverage universe. In emerging markets, the same ratings classifications were used, but the stocks were rated based upon expected performance relative to the primary market index in the region or country. Our complementary Risk rating system -- Low (L), Medium (M), High (H), and Speculative (S) -- took into account predictability of financial results and stock price volatility. Risk ratings for Asia Pacific were determined by a quantitative screen which classified stocks into the same four risk categories. In the major markets, our Industry rating system -- Overweight, Marketweight, and Underweight -- took into account each analyst's evaluation of their industry coverage as compared to the primary market index in their region over the following 12 to 18 months.

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